

Yorkshine New Material (Taizhou) Limited

# **Audit Report**

H. X. K. Z. S. [2020] No. J-301

JIANGSU ZHONGTIANCHINA CERTIFIED PUBLIC ACCOUNTANTS  
CO., LTD

# Audit Report

H. X. K. Z. S. [2020] No. J-301

To: **Yorkshine New Material (Taizhou) Limited**

We accepted your entrustment to conduct an audit of your net assets as at January 31, 2020.

The management of the Company is responsible for the preparation of these financial statements in accordance with the *Accounting Standards for Business Enterprises* and the *Accounting Systems for Business Enterprises*. Such responsibilities include: (1) Designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; (2) Selecting and applying appropriate accounting policies; as well as (3) Making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the *Standards on Auditing for Certified Public Accountants*. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

The audit is reported as follows.

## **I. Company Profile**

Established on March 17, 2011, Yorkshine New Material (Taizhou) Limited has the corporate business license with the unified code of social credit of 91321200570380789F, the business place located on the east side of Chaoyang Road, Daduo Town, Xinghua, the registered capital of USD20.58 million, the legal

representative of Zhang Xing, as well as the economic nature of limited liability company (Sino-foreign joint venture).

The scope of business of the Company is: Production of metal packaging materials; wholesale and import & export of complete sets of metallurgy and iron & steel equipment, rubber and plastic products, hardware and electrical equipment, electromechanical products, graphene-plated products, copper and aluminum plates, precious metals, metal products, steel and ore raw materials, chemical products (excluding hazardous chemicals) (not involving state-run trade management commodities; and commodities subject to quota license administration and/or special provisions should be applied according to relevant state regulations); as well as steel engineering technical services, technical consulting, technical development, software development and import & export (except for state-restricted business operations). (Any item legally subject to approval can only be carried out business activities after being approved by relevant departments)

The composition of the Company's share capital is as follows.

Shareholder Name	Amount of Capital Contribution (Yuan)	Shareholding Ratio
Xinyuan Packaging Materials Co., Ltd.	124,087,041.27	95.00%
Xinghua Canary Decorative Materials Trading Co., Ltd.	6,531,176.28	5.00%
Total	130,618,217.55	100.00%

## II. Audit Information

Upon audit, as at January 31, 2020, Yorkshine New Material (Taizhou) Limited has the total assets valued RMB319,516,906.69, the total liabilities valued RMB366,981,977.11 and the net assets valued RMB-47,465,070.42, among which:

**(A) The total assets are in the amount of RMB319,516,906.69, broken down mainly as follows.**

1. Monetary funds, having the closing balance of RMB2,183,550.46 and broken down as follows:

Item	Amount
Cash	722.38
Bank deposits	2,182,828.08
Total	2,183,550.46

2. Accounts receivable, having the closing balance of RMB1,244,127.57 and broken down as follows:

Unit Name	Amount
Superior Precision Moulds & Packaging Container (Shanghai) Co., Ltd	426,076.65

Wuxi Weize Steel Trading Co., Ltd.	203,654.58
Shanghai Wenzhe Industry & Trade Co., Ltd.	199,886.36
Maanshan Yihuiyuan Trading Co., Ltd.	138,777.00
Shanghai Yuyang Trading Co., Ltd.	17,445.00

3. Accounts prepaid, having the closing balance of RMB26,959,481.97 and broken down as follows:

Unit Name	Amount
Taizhou Huayong Trading Co., Ltd.	13,896,143.62
Wuxi Zhongcai New Materials Co., Ltd.	4,789,228.86
Xinghua City Power Supply Company, Jiangsu Power Company of State Grid	2,324,601.39
Jiangsu Jinyida Construction Engineering Co., Ltd.	1,551,518.00
Changzhou Baolong Metallurgical Equipment Manufacturing Co., Ltd.	424,701.25

4. Other receivables, having the closing balance of RMB61,142,755.18 and broken down as follows:

Unit Name	Amount
Xinyuan Packaging Materials Co., Ltd.	29,077,186.63
Huashun Warehousing (Taizhou) Co., Ltd.	13,937,793.97
Shanghai Huaqiang Trading	12,002,917.10
Xinghua Daduo Finance Office	3,000,000.00
Shanghai Idowell Steel Engineering & Equipment Co., Ltd.	1,234,358.49

5. Inventories, having the closing balance of RMB13,941,236.57:

Category	Amount
Raw materials	4,135,958.10
Goods in stock	8,391,909.30
Goods issued	618,697.67
Packaging materials and low-value consumables	794,671.50
Total	13,941,236.57

6. Fixed assets, having the closing balance of RMB146,330,214.00:

Category	Amount
I. Original value of fixed assets	441,992,948.14
II. Accumulated depreciation	89,795,503.57
III. Provision for impairment of fixed assets	205,867,230.57
IV. Net value of fixed assets	146,330,214.00

7. Construction in progress, having the closing balance of RMB36,121,414.94:

Category	Amount
Plant construction	24,704,087.67
Mechanical equipment	9,570,176.08
Commissioning fee	1,847,151.19
Total	36,121,414.94

8. Intangible assets, having the closing balance of RMB31,594,126.00:

Category	Amount
Land use rights	31,594,126.00
Total	31,594,126.00

**(B) The total liabilities are in the amount of RMB366,981,977.11, broken down mainly as follows.**

1. Short-term borrowings, having the closing balance of RMB29,000,000.00:

Name of Lending Bank	Amount
Jiangsu Xinghua Rural Commercial Bank Daduo Sub-branch	8,200,000.00
Jiangsu Xinghua Rural Commercial Bank Chushui Sub-branch	20,800,000.00
Total	29,000,000.00

2. Accounts payable, having the closing balance of RMB8,049,670.38 and broken down as follows:

Unit Name	Amount
China Steel Corporation	1,128,781.46
Hengyuan Industrial Furnace (Jingjiang) Co., Ltd.	580,500.00

Shanghai Xinyang Steel Sales Co., Ltd.	437,720.06
Shanghai Baosteel Gas Co., Ltd. Nanjing Branch	187,097.56
Jiangyin Junbao Technology Co., Ltd.	138,000.00

3. Receipts in advance, having the closing balance of RMB18,275,023.90 and broken down as follows:

Unit Name	Amount
Xinyuan Tongchang International Trade (Shanghai)	10,626,270.83
Dongxianglin (Jiangsu) Industrial Co., Ltd.	2,706,075.43
Tangshan Fengnan District Huali Can Factory	778,573.17
Wuxi Chuangyin Special Steel Products Co., Ltd.	628,020.44
Suzhou Huayuan Holdings Co., Ltd.	576,616.50

4. Employee compensation payable, having the closing balance of RMB2,711,465.00 and broken down as follows:

Item	Amount
Salary	775,876.88
Employee benefits	-423,139.00
Pension insurance	895,740.24
Basic medical treatment	686,494.51
Local additional medical treatment	56,688.37
Unemployment insurance	209,074.00
Work-related injury insurance	107,162.89
Maternity Insurance	70,737.00
Housing fund	332,830.11
Total	2,711,465.00

5. Taxes and fees payable, having the closing balance of RMB-6,610,688.20 and broken down as follows:

Item	Amount
VAT	-6,387,832.9
Urban land use tax	-19.98

Property tax	-372.84
Individual income tax	78,454.70
Input tax to be certified	-300,917.18
Total	-6,610,688.20

6. Other payables, having the closing balance of RMB171,089,588.38 and broken down as follows:

Unit Name	Amount
Zhu Jun	53,743,000.00
Yedpay Cross-border Settlement Technology Co., Ltd.	31,280,833.36
Taizhou Huayong Warehousing Co., Ltd.	8,602,330.97
Xinyuan Tongchang Laminating Technology (Taizhou) Co., Ltd.	7,566,733.14
Junlian (China) Financial Leasing Co., Ltd.	4,614,348.26

7. Long-term borrowings, having the closing balance of RMB144,466,917.65 and broken down as follows:

Name of Borrowing Unit	Amount
Xinyuan Packaging Materials (Hong Kong) Co., Ltd.	101,792,341.75
Shanghai Huaqiang Trading Company	9,777,764.70
Real Shine Capital Limited	14,176,667.60
Golden Star (Hong Kong) Enterprise Management Co., Ltd.	18,720,143.60
Total	144,466,917.65

**(C) The total net assets are in the amount of RMB-47,465,070.42, broken down mainly as follows.**

1. Paid-in capital, having the closing balance of RMB130,618,217.55:

Shareholder Name	Amount of Capital Contribution (Yuan)	Shareholding Ratio
Xinyuan Packaging Materials Co., Ltd.	124,087,041.27	95.00%
Xinghua Canary Decorative Materials Trading Co., Ltd.	6,531,176.28	5.00%
Total	130,618,217.55	100.00%

2. Capital reserve, having the closing balance of RMB13,460,578.58:

Item	Beginning Balance	Current Increase	Current Decrease	Closing Balance
Other capital reserve	427,616.54	13,032,962.04	-	13,460,578.58
Total	427,616.54	13,032,962.04	-	13,460,578.58

3. Retained earnings, having the closing balance of RMB-191,543,866.55:

1. Opening balance	-199,398,998.01
2. Current increase	7,855,131.46
Net profit transferred in this year	-3,113,456.69
Other transfer-in	10,968,588.15
3. Closing balance	-191,543,866.55

Attachments: Balance Sheet As at January 31, 2020

Income Statement As at January 2020

JIANGSU ZHONGTIANCHINA CERTIFIED China CPA:  
PUBLIC ACCOUNTANTS CO., LTD

China CPA:

Nanjing, China

April 30, 2020